

PD-AAF-868

4892587001821

720-SJ 7

**OFFICE OF THE ASSISTANT DIRECTOR/CONTROLLER  
UNITED STATES OPERATIONS MISSION TO KOREA  
AGENCY FOR INTERNATIONAL DEVELOPMENT**

**REPORT OF AUDIT**

**ROBERT R. NATHAN ASSOCIATES, INC.**

**Contract Nos. AID-fe - 81 and 82**

**(Project No. 489-11-720-585, Economic Planning)**

**For the Period from November 1, 1965 to July 31, 1966**

**REPORT NO. 67-11**

**COPY NO. 10**

**DATE: 9-7-66**

## TABLE OF CONTENTS

	<u>Page No.</u>
BACKGROUND INFORMATION	1
SCOPE OF AUDIT	1
SUMMARY OF FINDINGS AND RECOMMENDATIONS	2
FOLLOW-UP ON PRIOR AUDIT RECOMMENDATIONS	2
DETAILED FINDINGS AND RECOMMENDATIONS	3
Time, Leave and Attendance:	
U. S. Personnel	3
Korean Personnel	4
Expenditures:	
Dollars	5
Local Currency	6
Reporting Requirements	6
Contractor's Performance	6
SCHEDULE 1 - Contractor's U. S. Personnel in Korea	7
SCHEDULE 2 - Distribution of Report	9

## REPORT OF AUDIT

ROBERT R. NATHAN ASSOCIATES, INC.

Contract Nos. AID-fe-81 and 82

(Project No. 489-11-720-585, Economic Planning)

For the Period from November 1, 1965, to July 31, 1966

### Background Information

This audit, performed pursuant to the USOM's regular audit schedule, covered our examination of the contracts awarded to Robert R. Nathan Associates, Inc., commonly called Nathan Advisory Group (NAG). The primary objective of these contracts is for the contractor to provide consultative services, assistance, and advice pertaining to economic development planning to the Government of the Republic of Korea (ROKG). Contract No. AID-fe-81 is between the ROKG and NAG and covers the detailed services to be rendered, the type of Korean and U. S. personnel to be employed, and the local currency costs of NAG's services. Contract No. AID-fe-82 is between the U. S. Government and NAG and provides for reimbursement in dollars of the salaries and dollar logistic support of NAG's U. S. personnel. The latter is a cost plus fixed-fee contract consisting of total operating costs estimated at \$681,760 plus a fee tentatively set at \$47,000.

At the time of our examination, the contracts were being amended to extend the termination date by 12 months to August 14, 1967, and to provide further consultative services, on a limited basis, by short-term specialists in areas relating to implementation of economic development planning. This extension will be within the fund limitation of the existing contracts and will not, therefore, require any additional funding. The contractor's field work under the existing contracts was completed in August 1966 and the last of the long-term field employees left Korea on August 23, 1966.

### Scope of Audit

The purpose of our audit was to (a) determine the adequacy and accuracy of the contractor's time and attendance records, (b) review dollar and local currency expenditures for propriety, and (c) ascertain if the contractor was performing in accordance with contractual requirements.

USOM responsibilities for administration of the contracts were delegated to the Office of the Assistant Director for Program and Economic Policy (AD/P), and those of the ROKG to its Economic Planning Board (EPB).

### Summary of Findings and Recommendations

Our examination indicated that the contractor has submitted those reports required under the contract on a timely basis, and that the contractor's job performance had been satisfactory.

During our audit, we noted two instances in which a complete examination was not possible due to the lack of pertinent records at the local level:

1. All copies of the time and attendance records for August 1966 had been forwarded to the contractor's Home Office and were not therefore available for examination.

2. Secretarial services of an American citizen had been provided on a local hire basis from October 14, 1964, to July 31, 1965. The contract (Amendment No. 4) provided that the first two months of these services would be reimbursable in local currency, and the remaining months in dollars. The secretary was reimbursed in local currency for the periods October 14 to November 18, 1964, and from January 1 to 31, 1965. We were unable to ascertain if there had been a duplication of local currency and dollar payments for these periods of service.

Both of the above issues have been referred to AID/W (in Recommendation Nos. 1 and 2) for inclusion in its audit of the contractor's Home Office.

Prior to the final release of this report, a draft copy was provided to AD/P, which expressed concurrence with our findings and recommendations.

### Follow-up on Prior Audit Recommendations

Our prior audit report No. 66-14, dated February 4, 1966, included six recommendations, of which five have been closed on the basis that satisfactory action had been taken. Recommendation No. 5 is still considered pertinent and is therefore restated in this report as Recommendation No. 2.

## DETAILED FINDINGS AND RECOMMENDATIONS

### Time, Leave and Attendance

U. S. Personnel. Our review of the time, leave and attendance records through July 31, 1966, indicated that the contractor provided the personnel in Korea in the categories prescribed by the contract. The contractor's field work as specified under the existing contracts was terminated in August 1966 and the last of the contractor's long-term field employees left Korea on August 23, 1966. A listing of NAG's U. S. personnel working in Korea, their arrival and departure dates, and leave taken through July 31, 1966 is shown in Schedule 1 of this report.

At the time of this examination, the time, leave and attendance records for the month of August 1966 were not available for our review since all copies had been sent by the NAG Administrative Secretary to the contractor's Home Office prior to her departure from Korea on August 23, 1966. We believe that an appropriate review thereof should be made by AID/W at the time of its audit of the contractor's Home Office records.

### RECOMMENDATION NO. 1

AID/W should include in its audit of the contractor's Home Office a review of the time, leave and attendance records of the NAG's field employees for the month of August 1966.

Although the contracts stipulated that the work week of NAG personnel stationed in Korea would conform to that of EPB (which consists of 5- $\frac{1}{2}$  days including Saturday morning), some of the NAG U. S. staff regularly did not work on Saturday or on certain U. S. holidays (other than those designated in the contract), and these absences were not charged to annual or sick leave. This condition, noted in our prior audit report, continued during this audit period. We questioned the propriety of this practice in our prior report and recommended that AD/P, in conjunction with EPB, determine if an adjustment to the contractor's records of leave taken was appropriate. AD/P expressed the view that, despite the contract provisions, the NAG members should not be required to work substantially different hours from the USOM staff and it would be inappropriate to charge annual leave for differences between the USOM's and EPB's work week. On July 14, 1966 the USOM Contract Representative in AD/P officially approved the NAG's current practice and obtained written concurrence from the EPB contract representative. On the basis of these approvals, we are not taking exception to the NAG's work hours.

Our examination indicated that vacation and sick leave accrued and taken by individual NAG personnel was less than the maximum permitted by the contract. Contract No. AID-fe-82 states that the contractor shall grant sick leave and vacation leave in accordance with its customary practice, but not to exceed 13 working days per year of sick leave, and 15 working days per year of vacation leave for the first year and 20 working days per year of vacation leave for all following years. We noted that this maximum, as prescribed in the contract, was less in each instance than that granted under the contractor's customary practice. We were advised that traditionally the contractor granted one month of sick leave and one month of vacation leave per year to overseas employees.

The contractor's Home Office has provided copies of the time, leave and attendance records for his field office staff in Korea for the period prior to August 1964 which were not available at the time of our prior examination in February 1966. We reviewed these records as well as the current time, leave and attendance records available at the NAG field office, and found that they were adequate. The contractor's method of preparing these records was satisfactory, in that the timekeeper prepared time and attendance reports for all personnel and the Chief of Party reviewed them prior to their submission to the contractor's Home Office.

Korean Personnel. Five of the six Korean personnel employed by the contractor during our prior audit were terminated by July 1966 and an employee was still on the payroll at the time of this examination. Our review of the time, leave and attendance records maintained by the contractor for these Korean employees disclosed the following deficiencies:

1. A total of 16 hours annual leave taken by Mr. Kim, N. J., on November 1 and 2, 1965, as shown by the time sheet was not recorded on the leave records resulting in an overpayment of unused annual leave balance in the amount of ₩1,469 (equivalent to about \$5.45).
2. The amount of ₩531 (about \$2.00) was paid to Mr. Yi, S. Y., for three hours of overtime work performed on U. S. holiday (November 11, 1965). Premium payments at overtime rates to local employees for U. S. holidays worked was not authorized by the contracts.
3. There were two instances in which sick leave accruals were mis-computed.

In our opinion, however, the extent of the above deficiencies and the amount involved were not considered material enough to question the reliability of the contractor's time, leave and attendance records as a whole. On this basis, no recommendation for corrective action, including refund of overpaid leave accruals, is included in this report.

## Expenditures

Dollars. The total dollar obligation for the contract No. AID-fe-82 is \$728,760, of which \$681,760 is the estimated final costs and \$47,000 is the estimated fee, provided that the total man-months of service falls within the range of 191 and 233. AID/W payments for invoices rendered by the NAG through July 31, 1966, totaled \$475,413 of which \$192,487 was disbursed during the period covered by this audit, and \$282,926 was disbursed during the period covered by our prior audit report.

At the time of our examination, the contractor had transferred 1,171 books and publications and was in process of transferring an additional 20 to EPB, all of which were procured for the EPB research library at contract expense. We reviewed the receipts obtained by the contractor from EPB for these books and verified on a selective test basis their physical presence. To the extent of the transactions tested, we found that the books were properly accounted for and were being used at the library.

During our prior audit, we were unable to determine at the local level the amount billed by the contractor for these publications. To enable us to make such a determination, we recommended at that time that AD/P should request the NAG Chief of Party to obtain detailed information from the Home Office. The Home Office notified FE/CO, AID/W, on July 11, 1966, that the details were available at the Home Office for post-audit by AID but that it would be time consuming and costly at this time to assemble and reproduce the documents requested. During our audit, we were informed by the NAG Administrative Secretary that EPB's receipts for the books and publications would be sent to the Home Office prior to her departure from Korea. On the assumption that the documents will be available to AID/W for examination at the time of AID/W's audit of this contract, we are closing our prior report recommendation (No. 4) and are taking no further action.

As detailed in our prior audit report, Amendment No. 3 to contract AID-fe-82 provides that the contractor will furnish the secretarial services of a U. S. citizen, available on a local hire basis. The first two months of this service were to be reimbursed in local currency, and the remaining months of services in dollars. We determined that this secretary (Mrs. Margaret Regrut) worked for the contractor from October 14, 1964 through July 31, 1965, and that she was reimbursed in local currency for the periods from October 14 to November 18, 1964, and from January 1 to January 31, 1965. All of Mrs. Regrut's time and attendance records have been submitted to the Home Office. Since we were unable to ascertain if any duplication of dollar and local currency payments has occurred, we recommended in our prior audit report that AID/W should include this determination in its audit of the company's Home Office. Inasmuch as the recommendation is still pertinent, we are restating it below.

## RECOMMENDATION NO. 2

AID/W should determine at the contractor's Home Office if dollar payments duplicate any local currency payments made to this employee during the periods shown above.

Local Currency. The amount of local currency expenditures reported through August 19, 1966 totaled ₩3,386,760, leaving an unexpended balance of advance in the amount of ₩330,790, which was returned to the USOM on August 22, 1966.

Our examination indicated that the above expenditures, in general, complied with the provisions of the contract except for the insignificant amount of improper payments to the contractor's Korean employees previously mentioned in this report.

During our prior audit, we recommended that the contractor should reimburse ₩20,065 which was then found to have been used for obtaining licenses for the private automobiles of NAG personnel. We noted that the contractor subsequently refunded to the local currency account the amount of ₩31,565 which represented the above ₩20,065 and an additional ₩11,500 which had subsequently been improperly used for paying inspection and insurance for personal automobiles.

### Reporting Requirements

In compliance with the contract, NAG submitted three quarterly progress reports and other special reports during this audit period. On the basis of our review of these reports as well as those submitted during our prior audit, we considered that the contractor had satisfactorily complied with the contract reporting requirements.

### Contractor's Performance

The Chief of the Planning Bureau of EPB and the USOM's Contract Representative both expressed satisfaction with the contractor's performance.



ROBERT R. NATHAN ASSOCIATES, INC., CONTRACT

Contractor's U.S. Personnel in Korea

Schedule 1  
Page 1 of 2

<u>Name</u>	<u>Position</u>	<u>Arrival Date</u>	<u>Departure Date</u>	<u>Days of Leave Taken in Korea as of July 31, 1966</u>					
				<u>Prior Audit</u>		<u>Current Audit</u>		<u>Total</u>	
				<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>
<u>Long Term Field Employees</u>									
P. Kerr	Chief Economist	10/23/64	8/13/65						
"	"	9/ 4/65	8/12/66	4	8.5/8	3.7/8	8.1/8	7.7/8	16.3/4
R. H. Johnson	Fiscal Economist	9/11/64	12/23/64						
"	"	1/ 6/65	6/30/65	12½	1	2.7/8	1	15.3/8	2
"	"	7/ 7/65	12/26/65						
"	"	1/ 6/66	8/21/66						
J. S. Revis	Development Economist	8/ 5/64	8/ 9/66	9½	2½	17½	1	26 3/4	3½
R. B. Hughes	Agricultural Economist	7/18/64	8/15/66	4	4.3/4	7	3½	11	8
T. H. Tudor	Industrial Economist	5/20/64	3/ 9/66						
"	"	3/12/66	8/16/66	9½	10½	13½	1½	23	12
N. M. Vogt	Administrative Secretary	8/ 5/64	2/26/65						
"	"	3/ 2/65	3/24/65						
"	"	4/ 4/65	7/23/65	13.7/8	12.5/8	9.3/4	6	23.5/8	18.5/8
"	"	7/27/65	12/23/65						
"	"	1/ 8/66	8/23/66						
M. E. Regrut	Assistant Secretary	10/14/64	7/31/65	11½	9.7/8	-	-	11½	9.7/8
<u>Short Term Field Employees</u>									
D. K. Garnick	Econometrician	6/26/64	3/30/65	7½	3½	-	-	7½	3½
P. B. Musgrave	International Trade Economist	7/18/65	8/25/65						
R. A. Musgrave	Public Finance Economist	7/18/65	9/10/65						
L. Grose	National Account Specialist	11/ 2/65	11/19/65						
K. D. English	Project Implementation Control Specialist	4/25/66	8/17/66						
A. A. Strauss	"	4/25/66	7/ 1/66				.½		.½
N. Biaggi	Health Planner	4/29/66	6/23/66						
A. Horwitz	Urban Planner	8/ 9/66	-						

ROBERT R. NATHAN ASSOCIATES, INC., CONTRACT

Contractor's U.S. Personnel in Korea

Schedule 1

Page 2 of 2

<u>Name</u>	<u>Position</u>	<u>Arrival Date</u>	<u>Departure Date</u>	<u>Days of Leave Taken in Korea as of July 31, 1966</u>					
				<u>Prior Audit</u>		<u>Current Audit</u>		<u>Total</u>	
				<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>
<u>Part Time Field Employees</u>									
P. N. Tanner	Secretary	N/A	N/A						
A. Sullivan	Secretary	N/A	N/A						
<u>Home Office Visits</u>									
R. R. Nathan	President	8/14/64	8/28/64						
"	"	5/19/65	5/20/65						
"	"	6/18/66	7/ 1/66						
E. D. Hollander	Vice President	10/ 4/65	11/17/65						
C. M. Lerner	"	11/17/64	11/22/64						
<u>Field Employees' Dependents</u>									
Mrs. Revis and 4 Children									
Mrs. Hughes and 2 Children									
Mrs. Tudor and 4 Children									
Mr. Garnick and 1 Child									
Mrs. Biaggi 1/									
Mrs. Horwitz 1/									

1/ Transportation not eligible for contract financing